

CROCODILE

2016-2017

Crocodile Garments Limited Interim Report | 鱷魚恤有限公司中期報告



CORPORATE INFORMATION

Place of Incorporation

Hong Kong

Board of Directors

Executive Directors

Lam Kin Ming

(Chairman and Chief Executive Officer)

Lam Wai Shan, Vanessa

(Deputy Chief Executive Officer)

Lam Kin Ngok, Peter

Lam Kin Hong, Matthew

Wan Edward Yee Hwa

Non-executive Director

Lam Suk Ying, Diana

Independent Non-executive Directors

Chow Bing Chiu

Leung Shu Yin, William

Yeung Sui Sang

Audit Committee

Leung Shu Yin, William *(Chairman)*

Chow Bing Chiu

Yeung Sui Sang

Remuneration Committee

Leung Shu Yin, William *(Chairman)*

Chow Bing Chiu

Yeung Sui Sang

Wan Edward Yee Hwa

Company Secretary

Ko Ming Kin

Authorised Representatives

Lam Kin Ming

Lam Wai Shan, Vanessa

Shares Listing

Place

The Main Board of The Stock Exchange of
Hong Kong Limited

Stock Code

122

Board Lot

1,000 shares

Share Registrar and Transfer Office

Tricor Tengis Limited

Level 22

Hopewell Centre

183 Queen's Road East

Hong Kong

Independent Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants

Solicitors

Deacons

Reed Smith Richards Butler

Vincent T.K. Cheung, Yap & Co.

Principal Bankers

Bank of China (Hong Kong) Limited

Chong Hing Bank Limited

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank

of China (Asia) Limited

Registered Office

11th Floor

Lai Sun Commercial Centre

680 Cheung Sha Wan Road

Kowloon, Hong Kong

Principal Place of Business

12th Floor, Wing Tai Centre

12 Hing Yip Street

Kwun Tong

Kowloon, Hong Kong

Website

www.crocodile.com.hk

RESULTS

The board of directors (“**Board**” and “**Directors**”, respectively) of Crocodile Garments Limited (“**Company**”) presents the unaudited consolidated results of the Company and its subsidiaries (“**Group**”) for the six months ended 31 January 2017 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 January 2017

	Notes	Six months ended 31 January	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	135,804	168,221
Cost of sales		(52,751)	(71,815)
Gross profit		83,053	96,406
Fair value (loss) gains on investment properties	11	(149)	41,631
Other income	4	23,978	20,811
Selling and distribution expenses		(76,870)	(106,988)
Administrative expenses		(30,637)	(30,316)
Other operating expenses, net		(498)	(1,004)
Finance costs	5	(6,395)	(5,947)
Share of profit from an associate		4,171	2,664
(Loss) profit before tax	6	(3,347)	17,257
Income tax credit (expense)	7	132	(1,718)
(Loss) profit for the period attributable to owners of the Company		(3,215)	15,539
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(6,939)	(10,179)
Total comprehensive (expense) income for the period attributable to owners of the Company		(10,154)	5,360
		<i>HK Cents</i>	<i>HK Cents</i>
(Loss) earnings per share	9		
— Basic		(0.34)	1.64
— Diluted		N/A	1.64

Condensed Consolidated Statement of Financial Position

As at 31 January 2017

	Notes	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	129,566	138,924
Investment properties	11	1,629,906	1,632,793
Land lease prepayments		12,593	13,318
Interest in an associate		46,955	42,482
Rental and utility deposits		10,210	11,102
Deposits for land lease prepayments		15,481	16,172
		1,844,711	1,854,791
Current assets			
Inventories		59,055	73,336
Trade and other receivables, deposits and prepayments	12	78,086	67,587
Amounts due from related companies	20(b)	75	—
Financial assets at fair value through profit and loss		135,839	140,299
Pledged bank deposits		12,119	4,367
Bank balances and cash		140,583	152,787
		425,757	438,376
Current liabilities			
Bank borrowings	13	306,134	295,572
Margin loans payable		14,145	22,990
Trade and other payables and deposits received	14(a)	65,714	61,004
Perpetual loan	14(b)	15,000	15,000
Amounts due to related companies	20(b)	29,848	42,412
Tax payable		19,563	20,436
		450,404	457,414
Net current liabilities		(24,647)	(19,038)
Total assets less current liabilities		1,820,064	1,835,753
Non-current liabilities			
Bank borrowings	13	270,109	276,764
Provision for long service payments		2,733	2,882
Deferred tax liabilities		4,591	4,723
		277,433	284,369
Net assets		1,542,631	1,551,384
Capital and reserves			
Share capital	15	332,323	332,323
Reserves		1,210,308	1,219,061
Total equity		1,542,631	1,551,384

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 January 2017

	Attributable to owners of the Company					
	Share capital	Translation reserve	Asset revaluation reserve	Retained profits	Share option reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 July 2016 (Audited) and 1 August 2016	332,323	23,125	109,689	1,086,247	—	1,551,384
Loss for the period	—	—	—	(3,215)	—	(3,215)
Other comprehensive expense: <i>Items that may be subsequently reclassified to profit or loss</i>						
Exchange differences arising on translation of foreign operations	—	(6,939)	—	—	—	(6,939)
Total comprehensive expense for the period	—	(6,939)	—	(3,215)	—	(10,154)
Recognition of equity-settled Share-based payments	—	—	—	—	1,401	1,401
At 31 January 2017 (Unaudited)	332,323	16,186	109,689	1,083,032	1,401	1,542,631
At 31 July 2015 (Audited) and 1 August 2015	330,214	34,513	109,689	1,085,792	578	1,560,786
Profit for the period	—	—	—	15,539	—	15,539
Other comprehensive expense: <i>Items that may be subsequently reclassified to profit or loss</i>						
Exchange differences arising on translation of foreign operations	—	(10,179)	—	—	—	(10,179)
Total comprehensive (expense) income for the period	—	(10,179)	—	15,539	—	5,360
Issue of ordinary shares pursuant to exercise of options under share option scheme	2,109	—	—	—	(578)	1,531
At 31 January 2016 (Unaudited)	332,323	24,334	109,689	1,101,331	—	1,567,677

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 January 2017

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Operating activities		
Net cash from operating activities	15,274	9,532
Investing activities		
Interest received	206	219
Purchase of property, plant and equipment	(1,455)	(2,702)
(Placement) withdrawal of pledged bank deposits	(7,752)	686
Purchase of available-for-sale financial asset	—	(1,248)
Proceeds from disposal of property, plant and equipment	29	—
Proceeds from disposal of investment property	1,631	—
Net cash used in investing activities	(7,341)	(3,045)
Financing activities		
New bank loans raised	12,358	41,000
Proceeds from issue of shares	—	1,531
Repayments to a related company	(11,483)	—
Repayments of bank loans	(6,632)	(7,265)
(Decrease) increase in trust receipt loans	(1,819)	3,071
Repayments of margin loans	(8,845)	(826)
Net cash (used in) from financing activities	(16,421)	37,511
Net (decrease) increase in cash and cash equivalents	(8,488)	43,998
Cash and cash equivalents at the beginning of the period	152,787	72,143
Effect of foreign exchange rate changes	(3,716)	(5,484)
Cash and cash equivalents at the end of the period represented by bank balances and cash	140,583	110,657
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	136,129	110,054
Non-pledged time deposits with original maturity of less than 3 months when acquired	4,454	603
	140,583	110,657

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 January 2017

(1) *Basis of Preparation*

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 31 January 2017 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”) and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

These financial statements have been prepared under the historical cost convention, except for the investment properties and certain financial instruments which have been measured at fair values.

These financial statements are presented in Hong Kong dollars (“**HK\$**”) except otherwise indicated.

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by approximately HK\$24,647,000 as at 31 January 2017.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

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The financial information relating to the year ended 31 July 2016 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s independent auditor has reported on those financial statements. The independent auditor’s report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated interim financial statements have not been audited by the Company’s independent auditor but have been reviewed by the Company’s audit committee.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(2) **Principal Accounting Policies**

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 January 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 July 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle
HKFRS 14	Regulatory Deferral Accounts

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(3) **Segment Information**

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely i) garment and related accessories business, ii) property investment and letting business, and iii) trading of securities, of which the former two are also reportable segments. The operating segments are managed separately as each business offers different products and services and requires different business strategies.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(3) Segment Information (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue from external customers	108,192	142,097	27,612	26,124	—	—	135,804	168,221
Other income from external customers	12,409	22,881	8,871	780	2,492	(3,069)	23,772	20,592
Group's total revenue and other income	120,601	164,978	36,483	26,904	2,492	(3,069)	159,576	188,813
Reportable segment (loss) profit	(18,823)	(23,239)	37,117	68,660	2,492	(3,069)	20,786	42,352
Unallocated corporate income							206	219
Unallocated corporate expenses							(17,944)	(19,367)
Finance costs							(6,395)	(5,947)
(Loss) profit before tax							(3,347)	17,257

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of bank interest income, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(4) **Other Income**

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Royalty income	12,324	22,673
Bank interest income	206	219
Interest income on amount due from an associate	303	289
Net gain (loss) on financial assets at fair value through profit and loss	2,492	(3,069)
Others	8,653	699
	23,978	20,811

(5) **Finance Costs**

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	5,643	4,967
Amount due to a related company	752	980
	6,395	5,947

(6) **(Loss) Profit Before Tax**

The Group's (loss) profit before tax has been arrived at after charging:

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	7,041	7,728
Amortisation of land lease prepayments (included in administrative expenses)	160	169
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK\$1,386,000 (2016: HK\$4,711,000))	52,368	71,527

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(7) **Income Tax (Credit) Expense**

	Six months ended 31 January	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Current tax	—	—
Deferred tax	(132)	1,718
Income tax (credit) expense	(132)	1,718

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2017 (2016: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the period.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. No PRC enterprise income tax has been provided for the six months ended 31 January 2017 and 31 January 2016 as the Group did not have assessment profit in the PRC.

(8) **Dividend**

No dividend was paid, declared or proposed during the six months ended 31 January 2017. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2016: Nil).

(9) **(Loss) Earnings Per Share**

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 31 January	
	2017 (Unaudited)	2016 (Unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share (HK\$'000)	(3,215)	15,539
Number of shares		
Number of ordinary shares (2016: Weighted average number of ordinary shares) for the purpose of basic (loss) earnings per share	947,543,695	947,142,608
Effect of dilutive potential ordinary shares:		
— Options	N/A	73,276
Number of ordinary shares (2016: Weighted average number of ordinary shares) for the purpose of diluted (loss) earnings per share	N/A	947,215,884

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(9) (Loss) Earnings Per Share (Continued)

In considering the dilution impact of the share options outstanding, no adjustment has been made for the period ended 31 January 2017 as their assumed conversion would have an anti-dilutive effect on the basic loss per share amounts presented.

(10) Property, Plant and Equipment

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
At the beginning of the period/year	138,924	154,667
Additions	1,455	5,495
Depreciation provided for the period/year	(7,041)	(15,449)
Disposals/write-off	(408)	(48)
Exchange realignment	(3,364)	(5,741)
At the end of the period/year	129,566	138,924

(11) Investment Properties

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
At the beginning of the period/year	1,632,793	1,595,050
Disposal	(1,734)	—
(Decrease) increase in fair value recognised in profit or loss	(149)	39,444
Exchange realignment	(1,004)	(1,701)
At the end of the period/year	1,629,906	1,632,793

All of the Group's properties interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties as at 31 January 2017 and 31 July 2016 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs Savills Valuation and Professional Services Limited, independent qualified professional valuers not connected to the Group.

As at 31 January 2017, certain investment properties of approximately HK\$1,570,200,000 (31 July 2016: HK\$1,570,200,000) of the Group were pledged to banks to secure the bank loans granted to the Group.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(12) Trade and Other Receivables, Deposits and Prepayments

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade receivables	17,798	14,825
Less: Allowance for doubtful debts	(7,749)	(7,394)
	10,049	7,431
Other receivables	68,179	62,764
Less: Allowance for doubtful debts	(20,936)	(21,871)
	47,243	40,893
Deposits and prepayments	31,004	30,365
	88,296	78,689
Less: Rental and utility deposits shown under non-current assets	(10,210)	(11,102)
	78,086	67,587

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- (i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has been set with a maximum credit limit. The Group does not hold any collateral over these balances.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

- (ii) The following is an aging analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting periods:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade receivables:		
0 to 90 days	7,050	4,173
91 to 180 days	320	2,114
181 to 365 days	2,679	1,144
	10,049	7,431

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(13) Bank Borrowings

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Bank loans, secured	566,973	561,247
Trust receipt loans, secured	9,270	11,089
	576,243	572,336
Carrying amount repayable:		
Within one year	306,134	295,572
Beyond one year, but not exceeding two years	13,364	13,338
Beyond two years, but not exceeding five years	244,630	250,416
Beyond five years	12,115	13,010
Less: Amounts shown under current liabilities	576,243 (306,134)	572,336 (295,572)
Amounts shown under non-current liabilities	270,109	276,764

Included in the bank loans repayable within one year with total carrying amount of HK\$306,134,000, the revolving loans of total balance of HK\$283,558,000 were renewable upon their respective maturities.

In respect of a bank loan with a carrying amount of approximately HK\$438,479,000 as at 31 January 2017 and HK\$433,394,000 as at 31 July 2016, respectively ("**Bank Loan**"), the Group complied with the terms of the Bank Loan during the current reporting period and the last reporting year ended 31 July 2016, except for certain terms which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exceptions above, the Directors had informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(14) Trade and Other Payables and Deposits Received and Perpetual Loan

(a) Trade and other payables and deposits received

The following is an aging analysis of trade payables as at the end of the reporting period, based on the date of receipt of goods, and the details of balances of advance from customers, deposits received, other payables and accruals:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Trade payable:		
0 to 90 days	11,648	6,180
91 to 180 days	156	—
181 to 365 days	858	431
Over 365 days	1,814	2,236
	14,476	8,847
Advance from customers	5,352	6,511
Deposits received	16,381	13,141
Other payables and accruals	29,505	32,505
	65,714	61,004

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The credit period for purchase of goods is between 30 and 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Perpetual loan

During the year ended 31 July 2013, the Group entered into a loan agreement with an independent third party (“Investor”). Pursuant to the agreement, the Investor agreed to lend HK\$15,000,000 to the Group and the loan is interest-free, unsecured and shall not be repayable or become due for repayment until the date when the Group disposed of one of its investment properties, which is located at Ground Floor, Hennessy Road Court, 219 Hennessy Road, Wan Chai, Hong Kong. Upon disposal of the said investment property, 50% on disposal gain or loss will be shared with the Investor and will be added to or subtracted from the principal amount of the loan to be repaid. The loan is designated and measured as financial liability at fair value through profit or loss with any gains or losses arising on remeasurement recognised in profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(15) Share Capital

	<u>Number of shares</u>	<u>HK\$'000</u>
Issued and fully paid:		
At 1 August 2015	945,743,695	330,214
Issue of ordinary shares pursuant to exercise of options under share option scheme	1,800,000	2,109
At 31 July 2016 and at 31 January 2017	947,543,695	332,323

(16) Equity-settled Share-based Payments

The Company has a share option scheme (“Share Option Scheme”) which was adopted on 15 December 2015 whereby the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any subsidiary company in the Group at a consideration of HK\$1 to take up options to subscribe for shares of the Company. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Directors shall be entitled, at any time and from time to time within ten years commencing on the Adoption Date (as defined in the Share Option Scheme) and subject to such conditions as the Directors may think fit, to grant options to subscribe at the Subscription Price (as defined in the Share Option Scheme) for such number of shares in the Company as the Directors may determine.

(a) The following share options were outstanding under the Share Option Scheme as at 31 January 2017:

Category of participants	Number of share options			Date of grant of options (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Exercise price of options per share (HK\$)
	At 1 August 2016	Granted during the period	At 31 January 2017			
Directors	—	2,900,000	2,900,000	16/01/2017	16/01/2017 to 15/01/2020	0.994

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

Fair value of share options and assumptions are as follows:

Fair value at measurement date	HK\$0.4831
Closing share price at the date of grant	HK\$0.99
Exercise price	HK\$0.994
Expected volatility (i)	74.26%
Expected life (ii)	3 years
Expected dividends	0%
Risk-free interest rate	1.181%

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(16) **Equity-settled Share-based Payments** (Continued)

(b) **Fair value of share options and assumptions** (Continued)

Notes:

- (i) *The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.*
- (ii) *The expected life of the share options is not necessarily indicative of the exercise patterns that may occur.*
- (iii) *No other feature of the share options granted was incorporated into the measurement of fair value.*

The Group recognised an equity-settled share-based payment of HK\$1,401,000 in the condensed consolidated statement of profit or loss for employee services received during the six months ended 31 January 2017.

At the date of approval of these condensed consolidated interim financial statements, the Company had a total of 2,900,000 underlying shares comprised in options outstanding under the Share Option Scheme, which represented approximately 0.31% of the Company's shares in issue as at that date.

(17) **Fair Value Measurements of Financial Instruments**

Financial assets and financial liabilities carried at fair value

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This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. The fair values of the Group's investments in listed securities have been determined by reference to their quoted bid prices at the end of the reporting periods. The fair value of unlisted investments was based on the value quoted by the brokers at the end of the reporting periods. The fair value of the Group's financial liability at fair value through profit and loss, being the perpetual loan, is disclosed in Note 14(b).

There were no transfers between the three levels during both period/year.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(17) Fair Value Measurements of Financial Instruments (Continued)

Financial assets and financial liabilities carried at fair value (Continued)

Fair value hierarchy as at 31 January 2017 and 31 July 2016

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 January 2017 (Unaudited)				
Listed investments				
— Equity securities listed in Hong Kong	1,396	—	—	1,396
— Equity securities listed outside Hong Kong	4,935	—	—	4,935
— Debt securities listed in Hong Kong	17,133	—	—	17,133
— Debt securities listed outside Hong Kong	31,607	—	—	31,607
— Perpetual securities listed in Hong Kong	11,936	—	—	11,936
— Perpetual securities listed outside Hong Kong	10,430	—	—	10,430
Unlisted investments				
— Equity securities	—	9,869	—	9,869
— Debt securities	—	43,536	—	43,536
— Perpetual securities	—	4,997	—	4,997
Financial liabilities at fair value through profit and loss				
— Perpetual loan	—	—	(15,000)	(15,000)
	77,437	58,402	(15,000)	120,839
As at 31 July 2016 (Audited)				
Listed investments				
— Equity securities listed in Hong Kong	1,370	—	—	1,370
— Equity securities listed outside Hong Kong	17,324	—	—	17,324
— Debt securities listed in Hong Kong	21,813	—	—	21,813
— Debt securities listed outside Hong Kong	16,658	—	—	16,658
— Perpetual securities listed in Hong Kong	10,465	—	—	10,465
— Perpetual securities listed outside Hong Kong	9,987	—	—	9,987
Unlisted investments				
— Equity securities	—	3,964	—	3,964
— Debt securities	—	53,661	—	53,661
— Perpetual securities	—	5,057	—	5,057
Financial liabilities at fair value through profit and loss				
— Perpetual loan	—	—	(15,000)	(15,000)
	77,617	62,682	(15,000)	125,299

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)*For the six months ended 31 January 2017***(18) Operating Lease Arrangements****(a) As lessor**

At the end of the reporting periods, the Group had future minimum lease receivables under non-cancellable operating leases contracted with tenants as follows:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Within one year	53,409	35,991
In the second to fifty years, inclusive	63,967	41,124
	117,376	77,115

(b) As lessee

The Group leases their office properties, warehouses and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the end of the reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Within one year	70,190	66,713
In the second to fifty years, inclusive	47,051	42,367
	117,241	109,080

The operating lease rentals of certain retail shops are charged on the higher of fixed rental or contingent rent based on sales of the retail shops pursuant to the terms and conditions as set out in the respective rental agreements. As the future sales in these retail shops could not be accurately determined at this stage, the relevant contingent rent has not been estimated and included in the analysis above in which only the minimum lease commitments are included.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(19) Commitments

In addition to the operating lease commitments disclosed in Note 18 above, the Group had the following capital commitments at the end of the reporting periods:

	31 January 2017 (Unaudited) HK\$'000	31 July 2016 (Audited) HK\$'000
Contracted but not provided for:		
Land lease prepayments in the PRC	3,870	4,043
Acquisition and construction of property, plant and equipment in the PRC	2,016	2,106
	5,886	6,149

(20) Related Party Transactions

(a) Transactions with related parties

In addition to the transactions and balances as detailed elsewhere in these unaudited condensed interim consolidated financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended 31 January	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Rental expense and building management fee:			
— Lai Sun Textiles Company Limited	(i)	1,790	1,502
Rental expenses:			
— Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited	(ii)	473	517
— Honor Lamp Investments Limited	(iii)	338	338
— Guangzhou Besto Real Estate Development Company Limited	(iv)	174	522
Interest expense:			
— Guangzhou Besto Real Estate Development Company Limited	(v)	752	980
Company secretarial fee:			
— Lai Sun Development Company Limited	(vi)	459	528
Royalty income:			
— Guangzhou Beautifirm Cosmetic Ltd.	(vii)	459	408
Rental expense and building management fee:			
— Big Honor Asia Limited	(viii)	1,057	1,057
Interest income:			
— Mass Energy Limited	(ix)	303	289

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the six months ended 31 January 2017

(20) Related Party Transactions (Continued)

(a) Transactions with related parties (Continued)

Notes:

- (i) *Lai Sun Textiles Company Limited is a company of which certain executive directors of the Company are its beneficial shareholders and directors. The rental expenses and building management fee were charged by this related company pursuant to the terms of the respective lease agreements.*
- (ii) *Guangzhou Tianhe Baitao Culture and Entertainment Square Company Limited is a company of which certain executive directors of the Company are its beneficial shareholders. The rental expenses were charged by this related company pursuant to the terms of the respective lease agreements.*
- (iii) *Honor Lamp Investments Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The rental expenses were charged by this related company pursuant to the terms of the respective lease agreements.*
- (iv) *Guangzhou Besto Real Estate Development Company Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The rental expenses were charged by this related company pursuant to the terms of the lease agreement.*
- (v) *Guangzhou Besto Real Estate Development Company Limited is a company of which certain executive directors of the Company are also its beneficial shareholders and directors. The interest expense was charged by this related company pursuant to the terms of the respective loan agreements.*
- (vi) *Lai Sun Development Company Limited is a company of which certain executive directors of the Company are also its directors. The company secretarial fee was charged by this related company.*
- (vii) *The royalty income was received from a related company of which an executive director of the Company is also its director.*
- (viii) *Big Honor Asia Limited is a company of which an executive director of the Company is also its beneficial shareholder and director. The rental expenses and management fee were charged by this related company pursuant to the terms of the respective lease agreements.*
- (ix) *The interest income was received from an associate which was charged based on an interest rate of 5.0% per annum (2016: 5.0%).*

The Directors consider that the above transactions are conducted in the ordinary and usual course of the Group's businesses.

(b) Outstanding balances with related parties

Except for the amount due to Guangzhou Besto Real Estate Development Company Limited of approximately HK\$22,400,000 (31 July 2016: HK\$35,100,000) as at 31 January 2017 which are unsecured, interest bearing at 5.35% (31 July 2016: 5.35%) per annum and repayable on demand, the remaining balances of the Group were derived from normal business activities and are unsecured, interest-free and repayable on demand.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, the revenue of the Group was HK\$135,804,000 (2016: HK\$168,221,000), representing a decline of 19% and the gross profit of the Group decreased by 14% to HK\$83,053,000 (2016: HK\$96,406,000).

The performance of the “Garment and Related Accessories Business” segment of the Group was ailing during the six months ended 31 January 2017. The revenue tumbled by 24% to HK\$108,192,000 from HK\$142,097,000 for the same period of last year and the segment loss was HK\$18,823,000.

The “Property Investment and Letting Business” segment steadily contributed a rental income of HK\$27,612,000 for the six months ended 31 January 2017 (2016: HK\$26,124,000). In the relatively stable commercial property market, the revaluation of the Group’s investment properties resulted in modest revaluation losses of HK\$149,000 as at 31 January 2017 (2016: gains of HK\$41,631,000).

Combining the results of the two business segments above with the share of profit from an associate of HK\$4,171,000 (2016: HK\$2,664,000) and the exchange loss arising on translation of foreign operations, mainly in the Mainland of China (“**Mainland**”), of HK\$6,939,000 (2016: HK\$10,179,000), the total comprehensive expense attributable to the owners of the Company was HK\$10,154,000 for the six months ended 31 January 2017 (2016: income of HK\$5,360,000).

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Operations in Hong Kong and Macau

The “Garment and Related Accessories Business” segment hobbled under festering business conditions in the six months ended 31 January 2017. The strengthening of United States dollars after the president-election since November 2016 had further diminished the appeal of Hong Kong to local and overseas consumers as spending in Hong Kong becoming more “expensive” on the appreciation of Hong Kong currency under the pegging system. The situation was even worse for the garment sector because of an unseasonal warm weather during the Christmas, New Year and Lunar New Year, its traditional golden sales period.

The Group continues to implement stringent cost controls. Operational-wise, the Group will bargain with the landlords upon lease renewals to contain the shop rental expenses at a reasonable level and reorganise its shop portfolio to optimise sales efficiencies. As at 31 January 2017, the Group operated 20 (2016: 22) shops for Crocodile line and 6 (2016: 7) shops for Lacoste line. Administrative-wise, the Group has reined back expenses by streamlining the back-office structure.

In view of the shifting of proportion of inbound tourists from the Mainland to other regions, such as Southeast and Northern Asia, the Group will keep a close watch and launch popular merchandises to fit market needs.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operations in Hong Kong and Macau (Continued)

For the period under review, the “Property Investment and Letting Business” segment generated the rental revenue of HK\$27,612,000 (2016: HK\$26,124,000) and the fair value losses on investment properties were HK\$149,000 as at 31 January 2017 (2016: gains of HK\$41,631,000).

Operations in the Mainland

The operating environment of the “Garment and Related Accessories Business” segment in the Mainland was tough. The devaluation of Renminbi and the fall in foreign exchange reserves have clobbered the market sentiment. The recent tightening of monetary policies for deleveraging has hampered the people’s willingness to spend as having the liquidity been reduced. Under such an unfavourable ambience, the Group has adopted a prudent approach in restructuring its sales network in the Mainland aiming at minimising the operating costs amid catering for the consumers’ preference of shopping online. As at 31 January 2017, there were a total of 17 (2016: 63) shops in the Mainland, including self-operated shops of 5 (2016: 20) and those operated by the Group’s franchisees of 12 (2016: 43).

The royalty income from licensing the prestige brand “Crocodile” in the Mainland remained to be the major other income which generated HK\$12,324,000 for the six months ended 31 January 2017 (2016: HK\$22,673,000).

Prospects

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The outlook ahead is full of uncertainties, originated from politics. The advocacy of protectionism and de-globalisation among the United States and certain countries in Europe signals the widening of wealth disparity between rich and poor, caused by the easing monetary policies executed globally since the financial turmoil in 2008, will reach the yield point soon.

The risks of trade and currency wars are elevating and it is unimaginable when the United States and the Mainland, the world’s largest two economies, get involved. If happened, the world would undergo an extremely volatile period in an all-round manner which had never seen before, in forms of turbulences in capital flows, fluctuations in financial, currency and commodity markets. All these in turn would hit the consumers’ confidence severely and drag the market sentiment to trough. The economic growth in the Mainland would lose momentum significantly with export being its current major driver of economy. The Mainland will have to depend more on domestic consumption and private investment for growth.

Hong Kong is undoubtedly vulnerable to the disarrays in the Mainland and overseas; besides aggravated by even worse local market conditions which might occur if the Chief Executive-election fans a social unrest.

The above choppy macro-economic conditions will cast heavy shadows on the operations of the Group’s “Garment and Related Accessories Business” and “Property Investment and Letting Business” segments in Hong Kong and the Mainland. Responsively, the Group will continue to leverage on the prestige value of “Crocodile” brand to enrich the merchandise portfolio and realign the sales network while reengineering the supply flow. The Group remains cautious of the financial resources and will contemplate various means of expending its capital base.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Contingent Liabilities

As at 31 January 2017, the Group had no material contingent liabilities.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilise the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the six months ended 31 January 2017.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi and United States dollars. The Group considers the impact of foreign exchange risks is not significant as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and will not bear unforeseeable foreign currency exchange risks.

Cash and cash equivalents held by the Group amounted to HK\$140,583,000 as at 31 January 2017 (31 July 2016: HK\$152,787,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK\$12,119,000 (31 July 2016: HK\$4,367,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2017 were equivalent to HK\$33,301,000 (31 July 2016: HK\$33,839,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorised to conduct foreign exchange business.

As at 31 January 2017, the total outstanding borrowings including margin loans of the Group amounted to HK\$590,388,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK\$9,270,000, secured bank mortgage loans of HK\$24,755,000, secured margin loans of HK\$14,145,000, secured long-term bank loan of HK\$258,660,000 and secured short-term bank revolving loans of HK\$283,558,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loans above were repayable by instalments with its current portion of HK\$2,626,000 repayable within one year and long-term portion of HK\$22,129,000 repayable in the second to eleventh years.

Interests on bank borrowings are charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments (Continued)

As at 31 January 2017, the Group had mortgaged certain of its investment properties with carrying values of HK\$1,570,200,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio at 31 January 2017 was 38.3%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the possible rises in interest rates in Hong Kong, the Group will explore any funding-raising means for its further business development and at the same time keeping its gearing at a suitable level for controlling its interest expenses.

As at 31 January 2017, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK\$3,870,000 and acquisition and construction of property, plant and equipment in the Mainland of HK\$2,016,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals in the six months ended 31 January 2017.

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Employees and Remuneration Policies

The total number of employees of the Group, including part-time sales staff, was 292 as at 31 January 2017 (2016: 410). Pay rates of the employees are largely based on industry practice and the performance of individual employee. In addition to salary and bonus payments, other staff benefits include share option scheme, subsidised medical care, free hospitalisation insurance plans, provident fund benefits, subsidised meals, staff discount on purchases, internal training for sales staff and external training program subsidies.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**” and “**Stock Exchange**”, respectively) throughout the six months ended 31 January 2017 save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company’s operations and the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming (“**Dr. KM Lam**”) to assume the roles of both the Chairman and the Chief Executive Officer.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors (“**NEDs**”, including the independent non-executive Directors (“**INEDs**”)) is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company (“**Shareholders**”) and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election at that meeting. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion set out in Rule 3.13 of the Listing Rules. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the executive Directors (“**Executive Directors**”). As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

Securities Transactions by Directors and Designated Employees

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (“**Securities Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all Directors and they have confirmed in writing their compliance with the required standard set out in the Securities Code during the six months ended 31 January 2017, except for the following:

On 2 September 2016, Mr. Wan Edward Yee Hwa (“**Mr. Wan**”) (an Executive Director) notified the Company that he has made certain securities transactions during the period between June and August 2016 to dispose of an aggregate of 290,000 shares of the Company (“**Shares**”) without having first notified in writing and received a dated written acknowledgement from the designated Director in accordance with the Securities Code. The transactions were made by his authorised person before the commencement of the black out period for the publication date of the Company’s annual results for the year ended 31 July 2016. Mr. Wan had not possessed or made use of any unpublished inside information of the Company and confirmed that he had no intention of not complying with the relevant provisions of the Securities Code.

With a view to avoiding such recurrence, Mr. Wan has been reminded by the Company his obligation under the Securities Code.

Share Option Schemes

On 15 December 2015, the Shareholders approved the adoption of a new share option scheme (“**2015 Scheme**”) and the termination of the share option scheme which was adopted by the Company on 22 December 2006 (“**2006 Scheme**”) to the effect that no more share options will be granted under the 2006 Scheme. As at 31 January 2017 and the date of this Report, no share option is valid and outstanding under the 2006 Scheme.

The 2015 Scheme which became effective on 18 December 2015 remains in force for a period of 10 years commencing on its adoption date. The maximum number of the Shares issuable pursuant to the 2015 Scheme is 94,754,369 Shares, being 10% of the total issued Shares on the date of approval of the 2015 Scheme. The details of the 2015 Scheme are set out in the circular of the Company dated 13 November 2015.

As at 31 January 2017 and the date of this Report, the Company has a total of 2,900,000 underlying Shares comprised in options outstanding under the 2015 Scheme (representing approximately 0.31% of the total issued Shares as at those dates).

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Share Option Schemes (Continued)

The movements of on the share options granted under the 2015 Scheme during the six months ended 31 January 2017 are as follows:

Category/Name of participants	Date of grant (dd/mm/yyyy) <i>(Note 1)</i>	Number of underlying Shares comprised in share options				Exercise period (dd/mm/yyyy)	Exercise price per Share (HK\$) <i>(Note 2)</i>
		As at 1 August 2016	Granted during the period	Lapsed during the period	As at 31 January 2017		
Directors							
Lam Kin Ming	16/01/2017	—	900,000	—	900,000	16/01/2017 – 15/01/2020	0.994
Lam Wai Shan, Vanessa	16/01/2017	—	2,000,000	—	2,000,000	16/01/2017 – 15/01/2020	0.994
Total		—	2,900,000	—	2,900,000		

Notes:

1. The above share options were vested on the date of grant.
2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other specific changes in the Company's share capital.
3. The closing price of each Share immediately before the date on which the share options were granted (i.e. 16 January 2017) was HK\$1.00 per Share. Further details of the grants are set out in Note 16 to the Condensed Consolidated Interim Financial Statements.

Save as disclosed above, no share options had been granted, exercised, cancelled, or lapsed in accordance with the terms of the 2006 Scheme and the 2015 Scheme during the six months ended 31 January 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests

The following Directors and chief executive of the Company who held office on 31 January 2017 and their respective close associates (as defined in the Listing Rules) were interested, or were deemed to be interested, in the following long or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) on that date (a) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO); or (b) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO (“Register of Directors and Chief Executive”); or (c) as notified to the Company and the Stock Exchange pursuant to the Securities Code; or (d) as otherwise known by the Directors:

(1) Interests in the Company

Long positions in the Shares and underlying Shares						
Name of Directors	Capacity	Number of Shares		Share options	Total	Approximate percentage of total issued Shares <i>(Note 1)</i>
		Personal interests	Corporate interests	Personal interests		
Lam Kin Ming	Beneficial owner and owner of controlled corporation	5,539,000 <i>(Note 2)</i>	472,200,000 <i>(Note 3)</i>	900,000 <i>(Note 2)</i>	478,639,000	50.51%
Lam Wai Shan, Vanessa <i>(“Ms. Lam”)</i>	Beneficial owner	7,227,500 <i>(Note 4)</i>	Nil	2,000,000 <i>(Note 4)</i>	9,227,500	0.97%
Wan Edward Yee Hwa	Beneficial owner	1,110,000 <i>(Note 5)</i>	Nil	Nil	1,110,000	0.12%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Directors' Interests (Continued)

(1) Interests in the Company (Continued)

Notes:

1. The total number of issued Shares as at 31 January 2017 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
2. Dr. KM Lam (the Chairman, an Executive Director and the Chief Executive Officer of the Company) had purchased 705,000 Shares and disposed of an aggregate of 700,000 Shares during the six months ended 31 January 2017.

Details of the share option granted to Dr. KM Lam under the 2015 Scheme are showed in the section headed "Share Option Schemes" of this Report.

3. Rich Promise Limited ("RPL") beneficially owned 472,200,000 Shares, representing approximately 49.83 % of the total issued Shares. Dr. KM Lam was deemed to be interested in the same 472,200,000 Shares by virtue of his 100% shareholding interest in RPL.
4. Ms. Lam (an Executive Director and the Deputy Chief Executive Officer of the Company) had purchased 1,000,000 Shares during the six months ended 31 January 2017. Subsequent to the period end and up to the date of this Report, she has disposed of an aggregate of 1,201,000 Shares, thereby decreasing her shareholding interest from 9,227,500 Shares to 8,026,500 Shares (representing approximately 0.85% of the total issued Shares).

Details of the share option granted to Ms. Lam under the 2015 Scheme are showed in the section headed "Share Option Schemes" of this Report.

5. Mr. Wan (an Executive Director) had disposed of an aggregate of 400,000 Shares during the six months ended 31 January 2017. Subsequent to the period end and up to the date of this Report, he has disposed of an aggregate of 200,000 Shares, thereby decreasing his shareholding interest from 1,110,000 Shares to 910,000 Shares (representing approximately 0.10% of the total issued Shares).

(2) Interests in Associated Corporation

RPL — the parent and ultimate holding company of the Company

Long position in the ordinary shares of RPL					
Name of Director	Capacity	Personal interests	Corporate interests	Total	Percentage of total issued shares
Lam Kin Ming	Beneficial owner	1	Nil	1	100%

Save as disclosed above, as at 31 January 2017, none of the Directors and the chief executive of the Company and their respective close associates was interested, or was deemed to be interested, in the long and short positions in the shares, underlying shares and/or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Stock Exchange under the SFO, recorded in the Register of Directors and Chief Executive, notified under the Securities Code or otherwise known by the Directors.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Substantial Shareholders' and Other Persons' Interests

As at 31 January 2017, so far as it was known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (one being an Executive Director and the Chief Executive Officer of the Company), who had 5% or more interests in the following long positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO ("**Register of Shareholders**") or were entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company ("**Voting Entitlements**") (i.e. within the meaning of substantial shareholders of the Listing Rules) were as follows:

Long positions in the Shares and underlying Shares

Name	Capacity	Nature of interests	Number of Shares and underlying Shares held	Approximate percentage of total issued Shares <i>(Note 1)</i>
Substantial Shareholders				
Rich Promise Limited	Beneficial owner	Corporate	472,200,000	49.83%
Lam Kin Ming	Beneficial owner and owner of controlled corporation	Personal and corporate	478,639,000 <i>(Note 2)</i>	50.51%
Other Persons				
Wykeham Capital Asia Value Fund (" WCAVF ")	Beneficial owner	Corporate	48,329,000 <i>(Note 3)</i>	5.10%
Wykeham Capital Limited	Investment manager	Corporate	48,329,000 <i>(Note 3)</i>	5.10%
Thomas Howel Gruffudd Rhys (" Mr. Thomas ")	Owner of controlled corporations	Corporate	48,329,000 <i>(Note 3)</i>	5.10%

CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

Substantial Shareholders' and Other Persons' Interests (Continued)

Notes:

1. The total number of issued Shares as at 31 January 2017 (947,543,695 Shares) has been used in the calculation of the approximate percentage.
2. Dr. KM Lam was deemed to be interested in the 472,200,000 Shares owned by RPL by virtue of his 100% shareholding interest in RPL. Please also refer to "Directors' Interests" section above for further details.

Dr. KM Lam was personally interested in 5,539,000 Shares and was granted an option by the Company on 16 January 2017 to subscribe for 900,000 Shares (details of which are shown in the section headed "Share Option Schemes" of this Report.

3. Based on the disclosure of interests notices received by the Company, as at 31 January 2017, Mr. Thomas was deemed to be interested in the 48,329,000 Shares owned by WCAVF by virtue of his 100% shareholding interest in Wykeham Capital Limited (which is the investment manager of WCAVF). The shareholding interest of WCAVF in the Company reduced to 46,985,000 Shares (representing approximately 4.95% of the total issued Shares) as at 7 February 2017.

Save as disclosed above, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) which/who, as at 31 January 2017, had the Voting Entitlements or 5% or more interests or short positions in the Shares or underlying Shares as recorded in the Register of Shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

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During the six months ended 31 January 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information since the disclosure made in the Company's 2015-2016 Annual Report for the year ended 31 July 2016 are set out as follows:

- (1) The monthly Director's fee for each of Mr. Chow Bing Chiu, Mr. Leung Shu Yin, William and Mr. Yeung Sui Sang (all INEDs) was increased from HK\$8,000 to HK\$12,000 with effect from 1 February 2017.
- (2) Mr. Wan's monthly remuneration package was adjusted from HK\$50,000 to HK\$30,000 with effect from 1 February 2017.
- (3) The monthly remuneration package of Dr. KM Lam will be increased from HK\$472,080 to HK\$482,280 and of Ms. Lam will be increased from HK\$235,300 to HK\$245,300, both with effect from 1 April 2017.

CORPORATE GOVERNANCE AND OTHER INFORMATION *(Continued)*

Review of Interim Report

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang. The Audit Committee has reviewed the interim report (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2017, the accounting principles and practices adopted by the Company, and the internal control and financial reporting matters.

Appreciation

On behalf of the Board, I would like to thank all members of the staff and management for their dedication and continuous support and look forward to sharing the prosperous future of Crocodile with them and all the Shareholders and customers.

By Order of the Board
Lam Kin Ming
*Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, 27 March 2017

CROCODILE

